



27 August 2009

**Salamander Energy plc
("Salamander", or the "Group")**

**Half Year Financial Results
For the six months ended 30 June 2009**

Salamander Energy, an independent upstream oil and gas exploration and production company focused on Asia, announces its half year results for the six months ended 30 June 2009.

HIGHLIGHTS

FINANCIAL

- Revenue of \$77.2 million (1H08: \$46.8 million)
- EBITDAX¹ of \$42.1 million (1H08: \$30.1 million)
- Post-tax loss of \$14.3 million (1H08: loss of \$6.6 million)
- Post-tax profit of \$2.0 million adjusting for non-cash mark to market hedging charges
- Cash and cash equivalents at 30 June of \$59.2 million (FY 08: \$103 million)
- Net debt at 30 June of \$111.5 million (FY 08: \$54 million)
- Fully funded exploration and appraisal programme

OPERATIONAL DELIVERY

- Average production increased by 56% to 12,800 boepd² (1H08: 8,200 boepd)
- Completion of Phase II of development drilling in Bualuang oil field
- Kambuna gas-condensate field development progressed to first gas
- Discovered additional oil pay close to existing infrastructure in B8/38, Gulf of Thailand
- Completion of seismic programmes in Vietnam, Thailand, Indonesia and Lao PDR

H2 2009 OUTLOOK

- Kambuna gas-condensate field brought on-stream
- Forecast average daily production of c.15,000 boepd in 2009
- Gas discovery in South Sebuku-1, East Kalimantan, Indonesia
- Currently testing Phu-Kheng-1 prior to drilling Si That-3 appraisal, Khorat Basin, Northeast Thailand
- Preparations well advanced for 2010 drilling programme in Lao PDR, Thailand, Vietnam and Indonesia

¹ EBITDAX is calculated as profit before other financial gains/(losses), finance costs, tax, amortisation and depreciation and exploration expenses

² All reserves and production are working interest unless otherwise stated

Commenting on the results, Salamander's Chairman Charles Jamieson said:

"We are pleased to report strong underlying financial results for the first half of 2009, a period which saw continued production growth and exploration success for the Group. Having successfully completed our major development programmes, we are looking forward to an active exploration and appraisal programme through 2010. Salamander's sound financial position, together with its increasing production and cash flow profile, provides a strong platform for future value creation and growth."

An audio recording of the analyst conference call will be made available on the IR section of the company website, <http://www.salamander-energy.com/investor-centre.aspx>, from Friday 28 August.

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Salamander Energy Plc

Half-year results for six months ended 30 June 2008

Chairman and CEO's Review

We are pleased to report strong underlying financial results for the first half of 2009, a period during which the Group delivered both continued production growth and exploration success with oil and gas discoveries in the Gulf of Thailand and East Kalimantan. The Group's robust financial position allowed continued focus on operational delivery during a period of turbulence and volatility in commodity prices and the wider capital markets.

Financial Results

The Group delivered revenue, cash flow and production growth during the first half of the year. The profit figures were impacted by non cash, mark to market losses of \$16.3 million on the Group's hedging activity, resulting in a loss after tax of \$14.3 million (1H08: \$6.6 million). The underlying financial performance was healthy with revenues of \$77.2 million (1H08: \$46.8 million) and EBITDAX of \$42.1 million (1H08: \$29.7 million). Average realisations of \$43.33 per bbl (1H08: \$111.31) and \$3.69 per Mscf (1H08: \$4.80) were achieved in the period. The Group had net debt of \$111.5 million at 30 June 2009 (30 June 2008: net debt of \$102.0 million). The exploration and appraisal programme is fully funded.

Operational Progress

In May 2009 the Group completed the second phase of a drilling programme on the Bualuang oil field, Gulf of Thailand. Two horizontal production wells were completed and brought on-stream during May 2009, helping to boost gross field production from an average of 6,700 bopd in the first quarter to 11,600 bopd in the second quarter 2009.

The Kambuna development, offshore North Sumatra, progressed during the period, with first production achieved in August. The gas is used for power generation, in order to supply power to the city of Medan, the second largest city in Indonesia.

The 2009 exploration and appraisal programme got off to a successful start with the BA-11P oil discovery, offshore Thailand. This was followed in August 2009 by the South Sebuku-1 gas discovery in the Tarakan basin, East Kalimantan.

Meanwhile, we are continuing with our drilling campaign in Northeast Thailand, where the Phu Kheng-1 exploration well is targeting a structure which has the potential to contain c. 1 Tcf of recoverable gas in block L27/43. We will follow this up with the appraisal of the Si That gas discovery in neighbouring block L13/48 using the same drilling rig.

Portfolio Development

In March 2009 the Group announced that it had signed a Production Sharing Contract (PSC) for Block 31, offshore southern Vietnam. Salamander is the operator of the PSC with a 60% working interest. This is adjacent to the Group's operated DBSCL-01 PSC in the Mekong Delta area. Unusually, the Group acquired in excess of 3,000 line-km of 2D seismic across the acreage prior to signature of the PSC. This accelerated the exploration effort, and having now identified the likely presence of source rocks and confirmed the existence of multiple play types, we are preparing for drilling in the first half of 2010.

Board of Directors

On 15 May 2009 the Group announced that, following the placing of 31% equity interest in Salamander Energy plc, Mike Sibson had resigned as a Director of the Company. Mike's experience was welcomed by the Board and we would like to thank him for his contribution to the Group.

Current Trading and Outlook

Having completed the most recent phase of the Bualuang field development and brought the Kambuna field on-stream to plan and budget, the Group has achieved two of its key objectives for 2009. These have driven increased production and cash flow. Average production over the past seven days has been 17,600 boepd and the Group expects average annual daily production for 2009 to be c. 15,000 boepd. Salamander currently operates over 55% of total Group production and both this figure and average daily production will increase as volumes from Kambuna build up in the coming weeks.

The 2009 exploration and appraisal programme has started positively and will accelerate in pace with a 2010 programme of at least eight exploration wells in Vietnam, Indonesia, Lao PDR and Thailand.

The Board is confident that, subject to commodity price stability, the Group's increasing production and cash flow profile, coupled with a material and diverse 2010 drilling programme, provide it with an excellent platform for continued growth.

Charles Jamieson
Chairman
26 August 2009

James Menzies
Chief Executive Officer
26 August 2009

Review of Operations

The first half of 2009 was another busy period for the Group with the completion of Phase 2 drilling on the Bualuang field and the progression of the Kambuna development to first gas in August 2009 the most high profile events. The following summary details operational achievements in H1 2009:

- delivered production growth at the Bualuang oil field following completion of Phase 2 drilling and discovered additional resources above and below the main T4 reservoir of the Bualuang oil field
- progressed Kambuna development towards first gas, this was completed on budget in August 2009
- completed seismic surveys in Vietnam, Lao PDR, Indonesia and Thailand in preparation for extensive 2010 exploration drilling programme
- discovered additional resources above and below the main T4 reservoir of the Bualuang oil field
- spudded the South Sebuku-1 exploration well in the Bengara I PSC which resulted in a gas discovery that is expected to be commercial
- completed preparations for drilling of the Phu Kheng-1 and Si That-3 wells in 2H 09

Health, Safety and Environment

Operating activity levels have remained high since the start of the year and the first half saw over 1.2 million man hours worked with no lost time incidents recorded. The Group's HSE management system has been further developed and rolled out to all offices and field locations. Committees have been established in the operating offices to define projects to be undertaken as part of the Group's corporate social responsibility commitment and to review requests from the communities in which the Group operates. These communities are key partners to the Group and local investment has continued with new CSR projects executed in Vietnam and Thailand.

Production

Production for the first half of the year averaged 12,800 boepd, comprising 68% liquids and 32% gas. A significant increase occurred in May 2009 when two horizontal production wells were completed on the Bualuang oil field and immediately put on stream. These wells are highly productive and increased Bualuang production from c.7,000 barrels of oil per day (boepd) to an average of 11,700 boepd in 2Q 2009. Six wells are now in production on Bualuang and they are performing in line with reservoir simulation models, with water production at or below expectation and comfortably within the capacity of the re-injection facilities.

The second half of the year is expected to see a further step up in production following first gas at the Kambuna field in August 2009. The field is ramping up to full contracted volumes of 40 MMscfd of gas and approximately 4,000 barrels of condensate per day.

Geographical Review

Thailand

Bualuang Oil Field

Operations on the Bualuang oil field in the Gulf of Thailand in the first half of 2009 saw the completion of the phase two drilling programme. This comprised the drilling of an exploration well, two horizontal producers and a water disposal well.

Two horizontal production wells, BA-11H well and BA-12H, were completed in May 2009 in a crestal area of the field and were immediately tied into the production system and put on stream. Horizontal sections measuring 250 metres were drilled in a target zone 2-3 metres below top reservoir. Both wells encountered excellent quality reservoir rock and tested at over 8,000 boepd each. The two wells have been choked back to manage production in line

with the reservoir simulation and thereby optimise reserves recovery. The field is currently producing at c.10,500 bopd (gross) and level of water cut is well within the capacity of the water disposal facilities which can handle 20,000 bwpd.

The exploration well, BA-11P, drilled as a pilot hole to guide the first horizontal producer, was completed in April 2009 and encountered a 32 metre oil column in the main T4 reservoir sandstones. This represents the thickest penetration to date in the Bualuang field.

Three additional sandstones were encountered above the T4 reservoir and were found to be oil-bearing, with some 7 metres of net pay over this interval. At the deeper objective below the T4 reservoir, 8 metres of net oil pay was intersected in the T2 Oligocene syn-rift section. Crude oil samples were taken from the T2 interval and analysis shows this to be a 33 degree API oil, while the main T4 reservoir on the Bualuang field is 27 degree API. Studies are underway to determine the reserves potential and exploitation strategy for the additional pay found in BA-11P.

Sinphuhorm field

Onshore northeast Thailand, production from the Sinphuhorm field averaged 77 MMscfd, with nominations from the Nam Phong Power Plant at a reduced level in the early part of the year due to an extensive maintenance programme on the turbines at the power plant. Nominations have since returned to normal levels and the field averaged 92 MMscfd in July 2009.

Exploration and appraisal

The Phu Kheng-1 exploration well spudded in early July 2009. The well is targeting gas in the Jurassic and Triassic sandstones of the Phu Kradung and Nam Phong formations. The mean gross pre-drill estimate of prospective recoverable gas resources is approximately 1 Tcf. The well reached total depth of 2,208 metres sub-sea, logs have been run and a testing programme is underway in the Lower Nam Phong formation. On completion of this well the rig will move to the location of the Si That-3 appraisal well in the adjacent block L13/48. This will appraise a gas bearing structure analogous to the nearby Sinphuhorm field with potential to contain up to 1.3 Tcf of recoverable resources.

Preparations for a 3D seismic survey in Block L15/50 were completed and the survey commenced in July 2009. L15/50 contains a gas discovery called Dao Ruang, thought to have between 600 Bcf and 1 Tcf of resource potential. The high resolution 3D seismic survey has been designed to define the structure and image the Pha Nok Khao carbonate in order to position appraisal wells in optimal locations to encounter good quality reservoir rock. Appraisal drilling is expected to commence in 2H 2010.

In Block 26/50, a 2D seismic survey was completed in 1Q 2009. Initial interpretation of this data has identified four large potentially gas bearing structures with similar characteristics to the Bang Nouan gas prospect across the Mekong River in Lao PDR, in the Group's operated Savannakhet PSC. These provide follow up drilling targets in the event of a successful exploration well on Bang Nouan in 1Q 2010.

Lao PDR

Exploration

The Group has completed the interpretation of 2D seismic data acquired to delineate the large Bang Nouan anticline in the Savannakhet PSC. In conjunction with geo-chemical sampling and other field surveys this has enabled Salamander to select the drilling location for its first exploration well in Lao PDR. Bang Nouan is estimated to have between 700 Bcf to 1.2 Tcf of resource potential on an extension of the Pha Nok Khao play fairway proven productive in Northeast Thailand.

Gas source rocks are known to be present in the area and several large, undrilled structures have been mapped using the latest seismic data. The principal risks on the play are access

to the source rock and an effective reservoir. As such the Bang Nouan 1 well, which will be only the third petroleum exploration well ever drilled in the country, represents a high risk, frontier exploration well that is of potentially high impact to both Salamander and Lao PDR. Site preparations are due to commence in the dry season in September 2009 ahead of exploration drilling in 1Q 2010.

Vietnam

Exploration

Salamander announced in March 2009 that it had signed a Production Sharing Contract (PSC) for Block 31, offshore southern Vietnam. This acreage is adjacent to Salamander's operated Cuu Long River Delta Block 01 (DBSCL-01) PSC.

A 2D seismic survey across Block 31 was completed in 4Q 2008. During 2009 this data has been processed and integrated with the DBSCL-01 seismic for interpretation and mapping. The initial interpretation indicates the presence of lacustrine source rocks and a number of different play types in the Vinh Chau graben system. The Vinh Chau graben system is geologically and structurally analogous to the nearby proven and prolific Cuu Long basin and is wholly contained within the Salamander exploration acreage. Further geological and geophysical work continues to high grade prospects, thought to be in the 40-70 MMbo range, ahead of exploration drilling in the middle of 2010 when sea conditions are best suited to activity offshore southern Vietnam.

Indonesia

Kambuna field

The Kambuna gas-condensate development, offshore North Sumatra, has been completed and first gas was produced in August 2009 through early production facilities. As the facility is debottlenecked throughput will rise to reach the full contracted volume of 40 MMscfd. The gas sales have been contracted to Pertiwi and PLN for use in power generation in North Sumatra and will realise an average price of \$5.90 per Mscf with a 3% annual inflator.

The focus of the Kambuna development project will now switch to the completion of the permanent onshore receiving facilities at Pangkalan Brandan. These are expected to be finished around the turn of the year and will have the capacity to handle additional volumes above and beyond the level of the current contracted volumes. With this in mind Salamander intends to advance discussions on marketing additional volumes of Kambuna gas as soon as the production history has demonstrated the capacity of the wells to deliver additional volumes on a sustainable basis.

ONWJ & SES

Production from the Offshore North West Java and South East Sumatra PSCs was in line with expectations. These licences continue to produce at a steady rate of c.6,000 boepd net to the Group. Infill development drilling programmes have been conducted on both blocks during the first half of 2009 to maintain the production, to look for new oil and to appraise previously discovered reserves.

Exploration

In East Kalimantan, the Group continued to mature its exploration acreage ahead of 2010 drilling. Additional 2D seismic was recorded over the Bontang PSC and the Angklung prospect has been selected as the first exploration drilling target on this block in 1Q 2010. Angklung is a fault bounded closure with sandstone reservoir targets in the Middle Miocene and is forecast to contain c.70 MMboe of prospective resources. Additional prospects, of similar resource potential, have been identified for drilling later in 2010 and in 2011.

The Group continues to evaluate the options for the Tutung discovery and is currently awaiting the results of seismic reprocessing and a local gas marketing study before deciding whether to pursue a mini-development or return for further appraisal work.

A 2D seismic survey has been completed in the Kutai PSC. The operator expects to commence an exploration drilling with two onshore wells, and two contingent offshore wells, in 2010.

Further north, in the Tarakan Basin, an auction process was conducted to find a buyer for gas from the South Sembakung field in the Simenggaris PSC. A consortium of PLN and Medco Gas won the bidding and heads of agreement have been signed for the supply of gas from the field to the nearby Bunyu Methanol plant. The base gas price will be \$3 per Mscf escalating at 3% per annum with an uplift component relating to prevailing methanol prices. This price will sustain an economic development of the South Sembakung field and work on the field development itself is scheduled to commence by year end.

The South Sebuku-1 exploration well in the Bengara-1 PSC, also in the Tarakan basin, was spudded in June 2009 and encountered gas in four zones. Two of these were tested and flowed at a cumulative rate of 10.9 MMscfpd. Discussions are in progress with the Indonesian authorities to facilitate appraisal of the discovery. Assuming successful appraisal the South Sebuku gas discovery is expected to be tied in to the South Sembakung field, located only 15 km away.

Mike Buck
Chief Operating Officer
26 August 2009

Financial Review

Key Performance Indicators

The Group's performance against its key performance indicators for the period is summarised below:

	Unit	First Half 2009	First Half 2008	FY08
Lost Time Incidents		Nil	Nil	Nil
Production (working interest basis)	Boepd	12,800	8,200	9,600
Production (entitlement basis)	Boepd	10,700	5,000	6,700
Realised Price per barrel of oil	\$	43.33	111.31	60.52
Realised Price per Mscf of gas	\$	3.69	4.80	4.99
Operating Cost per boe	\$	10.86	9.53	10.64
Operating Cash Flow per entitlement boe ⁽¹⁾	\$	20.55	25.84	17.03
Gearing ⁽²⁾	%	23	26	21

1. Operating cash flow per entitlement boe is calculated as operating cash flow prior to working capital divided by entitlement interest production
2. Gearing is calculated as debt divided by debt plus equity

Overview

The first half of 2009 saw continued commodity price volatility with Brent falling to a low of \$44/bbl during February and closing the period at \$72/bbl. There was also much uncertainty in the banking sector and across capital markets. The Group maintained a healthy financial position due to its 2008 capital raisings, and its rising production and cash flow levels. The Group took a number of measures, including interest rate hedging, and a reduction in discretionary capital expenditure, during early 2009 to respond to the volatile market conditions.

Group production rose to 12,800 boepd in the first half of 2009 following completion in April of two horizontal infill wells on the Bualuang oil field, Thailand.

The Group hedges a proportion of its production to reduce the impact of oil price volatility and protect the Group's capital programmes. In November 2008 the Group purchased \$45.00/bbl puts for volumes of 2,500 bpd for first half 2009 increasing to 4,000 bpd for second half 2009. As crude prices stabilised, these hedges were then replaced from February 2009 onwards by a forward sale (swap) of 2,500 bpd at an average of \$53.83/bbl for the period February to December 2009 plus the purchase of 1,500 bpd of put options at \$54.00/bbl for the period July to December 2009. This programme hedged 33% of the Group's 2009 first half entitlement oil production. In addition, 62% of the Group's gas production was protected from price volatility due to fixed price gas contracts.

The Group also took out a hedge for its full year 2010 production: a zero cost collar for 2,500 bpd at a put and call strike of \$60.00/bbl and \$78.15/bbl respectively. A second zero cost collar for 1,500 bpd at a put and call strike of \$60.00/bbl and \$90.50/bbl respectively was completed in July 2009. The accounting effect of the hedging programme is set out below.

The Group's realised oil price for the first half of 2009 including the impact of the 2009 hedges, was \$43.33/bbl (1H08: \$111.31/bbl) and for gas was \$3.69/Mscf (1H08 - \$4.80/Mscf).

During the first half of 2009, the Group also took advantage of what were considered low Libor rates by historical standards to execute a swap for approximately 50% of its interest rate exposure for a three year period commencing April 2009, swapping Libor for the period at 2.17%.

During the first half of 2009, the Group generated \$40.5 million of operating cash flow (prior to working capital adjustments), a 70% increase on the comparative period in 2008 (1H08:

\$23.8 million). This translated into a pre tax loss of \$5.8 million (1H08: profit of \$3.8 million) principally due to the non-cash charges for amortisation of \$29.2 million (1H08: \$9.8 million) and the mark to market adjustments on the Group's oil and interest rate hedges of \$16.3 million (1H08: Nil). With taxation charges of \$8.6 million, (1H08: \$10.5 million), the Group reported a post tax loss for the period of \$14.3 million (1H08: \$6.6 million).

During December 2008, the Group completed the redetermination of its \$200 million seven year Reserve Based Lending Facility. This resulted in a further drawdown against the facility of \$15.6 million in January 2009, increasing the total drawn amount to \$176.5 million. Under the terms of the facility, the Group was required to repay \$2.1 million of the facility at the end of June. Despite significant development expenditure on the Kambuna and Bualuang fields in the period, the Group remains in a healthy financial position with cash and cash equivalents at 30 June 2009 of \$59.2 million (FY08: \$103.0 million) and net debt of \$111.5 million (FY08: \$54.0 million), and is fully financed to fund its future commitments.

Income Statement

The first half of 2009 saw Group revenues increase to \$77.2 million (1H08 2008: \$46.8 million) driven by higher production volumes from the Bualuang oil field in Thailand. The revenue growth was achieved despite lower prevailing commodity prices, with the Group realising \$43.33 per bbl (1H08: \$111.31) for oil and liquids and \$3.69 per Mscf (1H08: \$4.80) for gas during the period. Gross profit in the period was \$15.6 million (1H08: \$21.1 million).

Other operating charges for the period totalled \$5.2 million (1H08: \$18.0 million) and comprised exploration expenses of \$1.6 million (1H08: \$13.4 million) and administrative expenses of \$3.6 million (1H08: \$4.6 million). Exploration expenses for the period were pre-licence exploration costs to secure new acreage in Asia, whereas 1H08 and FY08 included written off exploration costs of \$10.2 million and \$39.1 million respectively following unsuccessful wells in Indonesia and the Philippines.

Interest revenue of \$0.9 million (1H08: \$3.9 million) was derived from the Group's investment of surplus cash, down on last year partly due to the reduced deposit interest rates available during the period. The finance costs of \$0.8 million (1H08: \$2.7 million) were principally interest payable in respect of the Group's Reserves Based Lending facility.

Other financial losses of \$16.3 million (1H08: \$0.5 million) during the first half of 2009 comprised non-cash mark to market charges against the Group's commodity price and interest rate hedges as follows:

	<u>\$'millions</u>
• Reversal of gain to 31 December 2008 in respect of 2009 hedges (put of 2,500 bpd for 1H09 and 4,000 bpd for 2H09 45.00/bbl)	4.4
• 2H09 oil price hedges (swap of 2,500 bpd at \$54.00/bbl and put of 1,500 bpd at \$54.00/bbl)	7.4
• 2010 oil price hedges (zero cost collar of 2,500 with put of \$60.00/bbl and call of \$78.15/bbl)	3.9
• Libor interest rate swap at 2.17% for approximately 50% of interest rate exposure	0.6
TOTAL	----- \$16.3m -----

Taxation of \$8.6 million (1H08: \$10.5 million) arose on the Group's foreign income from production in Thailand and Indonesia which is taxable at 50% and 41.5% respectively. The half year 2009 charge also included a deferred tax credit of \$6.4 million (1H08: \$1.8 million).

As a result of the above, the Group reported a loss after tax of \$14.3 million (after non-cash mark to market losses of \$16.3 million) compared to the six months ended 30 June 2008 loss of \$6.6 million. This position would have been a profit after tax of \$2 million if adjusted for mark to market charges relating to the Group's hedging activities. Despite these losses, the Board believes the action taken was appropriate in view of continuing oil price volatility.

Cash Flow Statement

Cash flow from operating activity for the period increased to \$19.8 million (1H08: \$15.4 million) despite lower comparative commodity prices, due to a full period of contribution from the Bualuang oil field. Net operating cash flow from operations in Thailand was \$10.8 million (1H08: \$5.3 million) and Indonesia was \$10.3 million (1H08: \$12.7 million). These were partially offset by administrative and other operating expenditures of \$1.3 million (1H08: \$2.6 million).

As planned, the majority of the 2009 capital investment has been completed in the first half of the year. Cash flow used in investing activities of \$74.4 million (1H08: \$161.9 million,) included investments in Thailand of \$15.5 million (1H08: \$37.1 million), in Indonesia of \$53.6 million (1H08: \$52.8 million) and in Vietnam of \$4.7 million (1H08: \$1.9 million). This was partly offset by the farmout in respect of Lao PDR with a recovery of \$ 3.3 million (1H08: \$2.5 million).

Activities in Thailand included the acquisition of seismic in Block L26/50 and the drilling of the Bualuang infill horizontal wells. Activities in Indonesia included the continued development of the Kambuna gas-condensate field of \$36.9 million (1H08: \$16.2 million). Activities in Vietnam included the acquisition of seismic in Block 31 and in Lao comprised the preparations for the 2010 drilling programme.

Cash inflow from financing activities for the period was \$10.7 million (1H08: \$85.6 million). This included: net proceeds from borrowings of \$13.4 million (1H08: \$90.8 million) with the incremental drawdown against the Group's seven year Reserves Based Lending facility; and interest payments of \$2.7 million (1H08: \$1.7 million).

The predominance of the Group's 2009 investment programme occurred in the first half of the year with the Group spending cash of \$43.9 million (1H08: \$60.8 million). This resulted in cash and cash equivalents at the end of the period of \$59.2 million (1H08: \$55.6 million, FY08: \$103.0 million).

Post Balance Sheet Events

On 24 July 2009, the Group further purchased commodity price hedges, a zero cost collar for 1,500 bpd with a put and call strike price of \$60.00/bbl and \$90.50/bbl respectively.

On 11 August 2009, the Kambuna gas-condensate field in Indonesia came on stream.

On 13 August 2009, the Group announced it had completed drilling operations on the South Sebu-1 exploration well. The well tested gas at a rate of 10.9 MMscfd and has been suspended as a potential future producer pending further appraisal work expected in 2010.

Risk Management

The identification and mitigation of risks are of critical importance to the Group as it continues to expand and increasingly moves to operate its activities. The Group's Executive Directors constantly monitor the Group's risk exposures and report to the Audit Committee on a six monthly basis, with more frequent updates on particular risks as required. The Audit Committee provides oversight whilst ultimate authority remains with the Group's Board.

The principal risks for the Group remain as previously detailed on pages 18 and 19 of the 2008 Annual Report and Accounts and can be summarised as:

- *Strategic risks*: portfolio management and mix; capital allocation; macro markets.
- *Operational risks*: HSE and CSR; asset management and performance
- *Financial risks*: liquidity, markets and cost management.
- *Other risks*: fiscal, investor relations and governance.

Further to the detailed disclosure provided in the 2008 Annual Report and Accounts:

- the commencement of Kambuna production in the second half of 2009 requires the management of additional development and operating risks as the Group expands its operated production base. Kambuna is expected to have a significant influence on the Group's financial results in the second half of the year and subsequent periods;
- the economic environment and volatility in oil price remains challenging. In order to manage volatility, the Group entered into a series of hedges during 2009 as set out in the Interim Report;
- authority to enter into interest rate hedging remains with Board of Directors. In April 2009, the Group took advantage of what were considered low Libor rates by historical standards to execute an interest swap for approximately 50% of its current and future interest rate exposure for a three year period commencing April 2009.

Nick Cooper
Chief Financial Officer
26 August 2009

Responsibility Statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 ~~Interim Financial Reporting~~;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board,

James Menzies
Chief Executive Officer
26 August 2009

Nick Cooper
Chief Financial Officer
26 August 2009

INDEPENDENT REVIEW REPORT TO SALAMANDER ENERGY PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of changes in equity, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors, London, UK
26 August 2009

CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2009

		Six months ended 30 June 2009 Unaudited	Six months ended 30 June 2008 Unaudited	Year ended 31 December 2008
	Note	\$'000s	\$'000s	\$'000s
CONTINUING OPERATIONS				
Revenue	4.	77,151	46,845	100,753
Cost of sales				
Impairment		-	-	(55,000)
Other cost of sales		(61,515)	(25,757)	(70,552)
Total cost of sales	5.	(61,515)	(25,757)	(125,552)
Gross profit/(loss)		15,636	21,088	(24,799)
Exploration expenses:				
Exploration costs written off		-	(10,226)	(39,065)
Pre-licence exploration expenses		(1,599)	(3,129)	(7,981)
Profit on disposal of assets		-	-	807
Total exploration expenses		(1,599)	(13,355)	(46,239)
Administration expenses		(3,601)	(4,601)	(10,859)
Operating profit/(loss)		10,436	3,132	(81,897)
Interest revenue		906	3,865	5,814
Finance costs		(783)	(2,687)	(2,953)
Other financial (losses)/gains	6.	(16,330)	(466)	3,564
(Loss)/Profit before tax		(5,771)	3,844	(75,472)
Current tax		(14,993)	(8,688)	(14,651)
Deferred tax:				
Impairment		-	-	27,500
Other		6,422	(1,800)	(3,872)
Total tax	7.	(8,571)	(10,488)	8,977
Loss for the period		(14,342)	(6,644)	(66,495)
Loss per ordinary share		\$¢	\$¢	\$¢
Basic and Diluted	8.	(0.09)	(0.06)	(0.53)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2009

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
1 January 2008	17,271	202,345	67,996	(4,450)	283,162
Shares Issued:					
Ordinary shares issued in business combination	6,172	-	178,064	-	184,236
Share issue costs	-	(3,489)	-	-	(3,489)
Share based payments	-	-	950	-	950
Loss for the period	-	-	-	(6,644)	(6,644)
30 June 2008	23,443	198,856	247,010	(11,094)	458,215
Shares issued:					
Ordinary shares issued for cash	6,401	185,618	-	-	192,019
Share issue costs	-	(5,789)	(3,574)	-	(9,363)
Share based payments	-	-	1,083	-	1,083
Loss for the period	-	-	-	(59,851)	(59,851)
31 December 2008	29,844	378,685	244,519	(70,945)	582,103
Share based payments	-	-	1,532	-	1,532
Loss for the period	-	-	-	(14,342)	(14,342)
30 June 2009	29,844	378,685	246,051	(85,287)	569,293

Other reserves comprise:

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	Unaudited	Unaudited	
	\$'000s	\$'000s	\$'000s
Share based payment reserve	4,320	1,705	2,788
Merger reserve	241,731	245,305	241,731
Total other reserves	246,051	247,010	244,519

CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2009

		30 June 2009 Unaudited \$'000s	30 June 2008 Unaudited \$'000s	31 December 2008 \$'000s
	Note			
ASSETS				
Non-current assets				
Intangible assets	9.	226,660	174,775	214,814
Property, plant and equipment	10.	577,669	531,646	552,138
Other receivables:				
Restricted bank deposits		12,118	21,360	12,084
Other		5,173	3,218	4,475
Deferred tax assets		503	-	387
Total non-current assets		822,123	730,999	783,898
Current assets				
Asset held for sale		60	1,000	60
Inventories		10,382	7,794	7,894
Trade and other receivables		64,580	44,446	39,240
Financial assets . hedges		-	-	5,708
Cash and cash equivalents		59,194	55,566	103,012
Total current assets		134,216	108,806	155,914
Total assets		956,339	839,805	939,812
LIABILITIES				
Non-current liabilities				
Borrowings	11.	154,755	138,453	157,016
Financial liabilities . hedges		2,364	-	-
Provisions		6,880	4,153	4,713
Deferred tax liability		141,583	173,853	147,889
Total non-current liabilities		305,582	316,459	309,618
Current liabilities				
Trade and other payables		39,758	41,420	41,829
Financial liabilities . hedges		11,967	-	-
Borrowings due within one year	11.	15,988	19,069	-
Current tax payable		13,751	4,642	6,262
Total current liabilities		81,464	65,131	48,091
Total liabilities		387,046	381,590	357,709
Net assets		569,293	458,215	582,103
EQUITY				
Share capital	12.	29,844	23,443	29,844
Share premium		378,685	198,856	378,685
Other reserves		246,051	247,010	244,519
Retained loss		(85,287)	(11,094)	(70,945)
Total equity		569,293	458,215	582,103

The interim financial information was approved by the Board of Directors on 26 August 2009.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
Six months ended 30 June 2009

	Six months ended 30 June 2009 Unaudited \$'000s	Six months ended 30 June 2008 Unaudited \$'000s	Year ended 31 December 2008 \$'000s
Cash flow from operating activities			
(Loss)/Profit before tax	(5,771)	3,844	(75,472)
Adjustments for:			
Profit on disposal of assets	-	-	(807)
Exploration write offs	-	10,226	39,065
Amortisation and depreciation	29,201	9,784	83,104
Interest revenue	(906)	(3,865)	(5,814)
Finance costs	783	2,687	2,953
Other financial losses/(gains)	16,330	466	(3,564)
Share based payment	905	643	939
Operating cash flow prior to working capital	40,542	23,785	40,404
Increase in inventories	(2,488)	(76)	(176)
(Increase)/Decrease in trade and other receivables	(13,983)	(426)	1,326
Increase/(Decrease) in trade and other payables	3,270	2,051	(128)
Cash generated from operations	27,341	25,334	41,426
Payment of tax	(7,504)	(9,919)	(15,916)
Net cash inflows from operating activities	19,837	15,415	25,510
Cash flow from investing activities			
Acquisition of subsidiary	-	(32,675)	(32,676)
Expenditures on intangible assets	(19,296)	(42,937)	(133,110)
Purchase of property, plant and equipment	(51,008)	(52,133)	(113,315)
Disposal of assets	-	-	1,500
Loan advances	(5,000)	(32,350)	(32,350)
Repayment/(Payment) of other receivables	(34)	(3,371)	5,905
Interest received	906	1,595	3,545
Net cash used in investing activities	(74,432)	(161,871)	(300,501)
Cash flow from financing activities			
Interest paid	(2,685)	(1,700)	(5,848)
Other financial receipts/(payments)	-	-	(3,401)
Cash flows in respect of long term borrowings	13,425	90,796	89,670
Net proceeds from the issue of shares	-	-	192,019
Costs of issuing new shares	-	(3,489)	(12,851)
Net cash from financing activities	10,740	85,607	259,589
Net decrease in cash and cash equivalents	(43,855)	(60,849)	(15,402)
Cash and cash equivalents at the beginning of the period	103,012	116,881	116,881
Effect of foreign exchange rate change	37	(466)	1,533
Cash and cash equivalents at the end of the period	59,194	55,566	103,012

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2009

1. General information

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. Accounting policies

The annual financial statements of Salamander Energy plc are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union.

Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the interim management report on pages 1 to 12. The interim management report also includes a summary of the Group's financial position, its cash flows and borrowing facilities.

The directors believe the Group is adequately placed to manage its business risks successfully despite the current uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed financial statements.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements except as noted below.

Changes in accounting policy

In the current financial year, the Group has adopted International Financial Reporting Standard 8 Operating Segments, International Accounting Standard 1 Presentation of Financial Statements (revised 2007) and International Accounting Standard 23 Borrowing Costs (March 2007),

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group. The adoption of IFRS 8 has had no effect on the identified operating segments for the Group which are also the reportable segments.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of recognised income and expense. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented. As the Group has only recognised losses in the periods presented, no statement of recognised income and expenses is included.

IAS 23 (March 2007) had no impact on the Group, as the Group already capitalises borrowing costs directly attributable to the construction of qualifying assets under its existing accounting policies.

3. Segmental analysis

The Group currently operates in five geographical areas, namely Thailand, Indonesia, Philippines, Lao PDR and Vietnam. This is the basis on which information is reported to management for the purpose of resource allocation and assessment of segment performance. Other operating expenses, assets and liabilities relate to general management, finance and administration and tax of the Group.

The operations of the Group comprise one class of business, being oil and gas exploration, development and production.

Six months ended 30 June 2009							
	Thailand	Indonesia	Philippines	Lao PDR	Vietnam	Other	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue (external)	53,277	24,251	-	-	-	(377)	77,151
Operating profit/(loss)	15,650	461	(5)	(27)	(9)	(5,634)	10,436
Interest revenue	-	-	-	-	-	906	906
Finance cost	-	-	-	-	-	(783)	(783)
Other financial losses	-	-	-	-	-	(16,330)	(16,330)
Profit/(Loss) before tax	15,650	461	(5)	(27)	(9)	(21,841)	(5,771)
Tax	-	-	-	-	-	(8,571)	(8,571)
Profit/(Loss) for the period	15,650	461	(5)	(27)	(9)	(30,412)	(14,342)
Segment assets	375,466	471,144	5,942	7,309	25,738	70,740	956,339
Segment liabilities	29,929	27,187	30	693	637	328,570	387,046
Six months ended 30 June 2008							
	Thailand	Indonesia	Philippines	Lao PDR	Vietnam	Other	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue (external)	12,250	34,595	-	-	-	-	46,845
Operating profit/(loss)	8,615	2,178	(33)	(38)	(5)	(7,585)	3,132
Interest revenue	-	-	-	-	-	3,865	3,865
Finance cost	-	-	-	-	-	(2,687)	(2,687)
Other financial losses	-	-	-	-	-	(466)	(466)
Profit/(Loss) before tax	8,615	2,178	(33)	(38)	(5)	(6,873)	3,844
Tax	-	-	-	-	-	(10,488)	(10,488)
Profit/(Loss) for the period	8,615	2,178	(33)	(38)	(5)	(17,361)	(6,644)
Segment assets	414,631	342,346	10,660	7,161	4,546	60,461	839,805
Segment liabilities	15,608	183,686	421	2,192	235	179,448	381,590
Year ended 31 December 2008							
	Thailand	Indonesia	Philippines	Lao PDR	Vietnam	Other	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue (external)	40,452	60,301	-	-	-	-	100,753
Operating loss	(40,496)	(887)	(22,748)	(72)	(10)	(17,684)	(81,897)
Interest revenue	-	-	-	-	-	5,814	5,814
Finance cost	-	-	-	-	-	(2,953)	(2,953)
Other financial gains	-	-	-	-	-	3,564	3,564
Loss before tax	(40,496)	(887)	(22,748)	(72)	(10)	(11,259)	(75,472)
Tax	-	-	-	-	-	8,977	8,977
Loss for the year	(40,496)	(887)	(22,748)	(72)	(10)	(2,282)	(66,495)
Segment assets	357,913	464,345	6,042	10,802	22,879	77,830	939,812
Segment liabilities	17,200	28,778	265	755	2,522	308,189	357,709

4. Revenue

Revenue, excluding interest revenue of \$906,000 (1H08: \$3,865,000, FY08: \$5,814,000), comprises:

	Six Months ended 30 June 2009	Six Months ended 30 June 2008	Year ended 31 December 2008
	\$'000s	\$'000s	\$'000s
Sales of Oil	64,835	27,673	62,218
Sales of Gas	12,692	19,172	38,535
Realised loss on hedges	(376)	-	-
Total Revenue (excluding Interest Revenue)	77,151	46,845	100,753

5. Cost of sales

Cost of Sales comprises:

	Six Months ended 30 June 2009	Six Months ended 30 June 2008	Year ended 31 December 2008
	\$'000s	\$'000s	\$'000s
Operating Costs	25,183	14,198	42,573
Royalty Payable	4,911	1,531	4,254
Amortisation of Oil and Gas Properties	28,884	9,537	27,725
Impairment	-	-	55,000
Overlift/(Underlift)	2,612	491	(1,303)
Movement in inventories of Oil	(75)	-	(2,697)
Total cost of sales	61,515	25,757	125,552

Royalties of \$4,073,000 (1H08: \$1,531,000, FY08: \$3,113,000) were payable in respect of certain of the Group's Thailand assets and in accordance with the applicable Thailand tax regulations, was deductible as an advance payment of income tax to the extent income tax was payable (see note 7).

6. Other Financial Gains and Losses

	Six Months ended 30 June 2009	Six Months ended 30 June 2008	Year ended 31 December 2008
	\$'000s	\$'000s	\$'000s
Financial exchange gains/(losses)	37	(466)	1,533
Mark to market movements	(16,367)	-	3,031
Total other financial gains/(losses)	(16,330)	(466)	3,564

Mark to market movements for the first half of 2009 are explained in the financial review.

7. Tax

The tax charge for the six month period of \$8,571,000 (1H08: \$10,488,000, FY08 credit: \$8,977,000) comprised corporate income tax of \$14,993,000 (1H08: \$8,688,000, FY08: \$14,651,000) and deferred tax of \$6,422,000 (1H08: \$1,800,000, FY08 net credit: \$23,628,000) primarily arising from the Group's Indonesia and Thailand operations. The tax charge/(credit) can be reconciled to (loss)/profit before tax per the income statement as follows:

	Six Months ended 30 June 2009	Six Months ended 30 June 2008	Year ended 31 December 2008
	\$'000s	\$'000s	\$'000s
(Loss)/Profit before tax	(5,771)	3,844	(75,472)
Applicable rate of tax	28%	29%	28.5%
Tax at applicable rate of tax	(1,616)	1,115	(21,509)
Tax effect of:			
Items which are not deductible for tax	6,913	5,751	18,783
UK losses not recognised	682	512	306
Foreign profits not recognised	(431)	508	276
Royalty tax credit	(469)	(888)	(1,774)
Different foreign tax rates	3,492	3,490	(5,059)
Total income tax charge/(credit)	8,571	10,488	(8,977)

The average applicable tax rate is assumed as 28% being the UK corporation tax rate for the period since 1 April 2008.

8. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

	Units	Six months to 30 June 2009	Six months to 30 June 2008	Year to 31 December 2008
Loss for the purpose of basic and diluted earnings per share being the net loss attributable to equity holders of the parent	\$φ00s	(14,342)	(6,644)	(66,495)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ⁽¹⁾	\$φ00s	152,781	106,399	126,268
Loss per ordinary share				
Basic and Diluted	\$φ	(0.09)	(0.06)	(0.53)

1. As there is a loss for the period, there is no difference between the basic and diluted loss per share. Potentially dilutive ordinary shares, in respect of the Company's PSP, for the six month period were 4,567,509 (1H08: 2,620,212, FY08: 2,502,959).

9. Intangible assets

	30 June 2009	30 June 2008	31 December 2008
	\$'000s	\$'000s	\$'000s
Exploration and evaluation			
At 1 January	214,814	54,523	54,523
Additions	11,846	130,478	206,770
Transfers to property, plant and equipment	-	-	(7,414)
Costs written off	-	(10,226)	(39,065)
Net book amount at end of period	226,660	174,775	214,814

10. Property, plant and equipment

	Oil and gas properties			Other fixed assets			Total net book amount \$'000s
	Cost	Amortisat'n	Total	Cost	Depreciat'n	Total	
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	
1 January 2008	141,725	(22,998)	118,727	1,756	(592)	1,164	119,891
Additions for the period	421,457	-	421,457	82	-	82	421,539
Charge for the period	-	(9,537)	(9,537)	-	(247)	(247)	(9,784)
30 June 2008	563,182	(32,535)	530,647	1,838	(839)	999	531,646
Additions for the period	86,373	-	86,373	25	-	25	86,398
Transfers from intangible assets	7,414	-	7,414	-	-	-	7,414
Charge for the period	-	(73,188)	(73,188)	-	(132)	(132)	(73,320)
31 December 2008	656,969	(105,723)	551,246	1,863	(971)	892	552,138
Additions for the period	54,337	-	54,337	395	-	395	54,732
Charge for the period	-	(28,884)	(28,884)	-	(317)	(317)	(29,201)
30 June 2009	711,306	(134,607)	576,699	2,258	(1,288)	970	577,669

11. Borrowings

	30 June 2009	30 June 2008	31 December 2008
	\$'000s	\$'000s	\$'000s
Principal repayable on maturity	174,343	160,918	160,918
Less deferred fees	(3,600)	(3,396)	(3,902)
Total borrowings	170,743	157,522	157,016
Less amounts due within one year	(15,988)	(19,069)	-
Total long term borrowings	154,755	138,453	157,016

Net debt

	30 June 2009	30 June 2008	31 December 2008
	\$'000s	\$'000s	\$'000s
Long term borrowings	154,755	138,453	157,016
Add amounts due within one year	15,988	19,069	-
Less cash and cash equivalents	(59,194)	(55,566)	(103,012)
Total net debt	111,549	101,956	54,004

12. Equity

Share capital as at 30 June 2009 amounted to \$29,844,000 (FY08 \$29,844,000). The number of shares in issue is 152,781,255 (FY08: 152,751,255).

13. Post Balance Sheet Events

On 24 July 2009, the Group purchased further commodity price hedges; a zero cost collar for 1,500 bpd with a put and call strike price of \$60.00/bbl and \$90.50/bbl respectively.

On 11 August 2009, the Glagah-Kambuna gas-condensate field in Indonesia came on stream.

On 13 August 2009, the Group announced it had completed drilling operations on the South Sebuku-1 exploration well. The well tested gas at a rate of 10.9 MMscfd and has been suspended as a potential future producer pending further appraisal work expected in 2010.